

TOWN OF ROCKFORD  
Spokane County, Washington  
January 1, 1995 Through December 31, 1995

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Schedule Of Findings

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1. The Town Should Comply With Budget Laws And Regulations

During our review of the budget process, we noted instances of noncompliance with state laws and regulations.

Expenditures exceeded budgeted appropriations in four out of eleven funds. The approved budget was exceeded by \$38,614 for all funds.

RCW 35.33.125. states:

Liabilities incurred by any officer or employee of the city or town in excess of any budget appropriations shall not be a liability of the town. The clerk shall issue no warrant and the city or town legislative body or other authorized person shall approve no claim for an expenditure in excess of the total amount appropriated for any individual fund . . . .

The budget was exceeded in part due to management's lack of understanding of the state laws and lack of oversight as it relates to the status of the budgeted appropriations against the actual expenditures on a regular basis.

The effect of the procedural weaknesses is to circumvent the intent of the budgetary process which is to effectively manage the resources of the town. By failing to amend budgets in a timely manner, officials risk overexpending fund balances as well as appropriations.

We recommend the town develop and implement procedures to provide for review of expenditures to ensure that budget appropriations are not exceeded and that, if necessary, budget amendments be made in a timely manner.

Auditee's Response

*Response included with second finding.*

2. The Town's Controls Over Accounting and Reporting Should Be Improved

Our audit identified several significant weaknesses in the controls over the town's accounting and reporting procedures. We noted the following weaknesses:

- a. Customer utility payments are not recorded until deposits are prepared.

- b. Deposits are not prepared or taken to the bank in a timely manner. Receipts are stored on site and deposited as time permits.
- c. We noted numerous immaterial errors in the financial reports which included negative beginning cash balances in four funds and improper presentation of ending cash and investments.
- d. The minutes of the board of commissioners meetings did not indicate approval of all claims and payroll expenditures. We were unable to determine if all expenditures were properly approved. Additionally, formal approval of the minutes was noted in only four months during 1995.

Lack of segregation of duties and limited staffing has inhibited the development and operation of a uniform and effective system of accounting controls. Inadequate management review procedures and lack of compensating controls have also contributed to the internal control weaknesses noted above.

These internal control weaknesses have contributed to inaccuracies in the accounting records, inconsistencies in reports, violations of budgetary laws, and inadequate safeguarding of the town's assets.

We recommend:

- a. Deposits be made in a timely manner.
- b. Staff be provided with sufficient training on computerized systems and reports.
- c. Minutes from the meetings of the board of commissioners be reviewed for completeness and approved in a timely manner.
- d. Accounting records should accurately reflect utility customer activity.
- e. Policies and procedures should be developed to improve review of accounting records and reports.

Auditee's Response

*As a result of the audit, the following procedural changes have been made or are being adopted:*

- a. *Deposits are now being made in a timely manner.*
- b. *Office staff is receiving training on the computer system by attending regular users meetings and on-going support from the programmers. Workshops will be attended and written information obtained to assist with understanding and properly completing reports. Staff will verify totals as needed to insure accurate reports are submitted.*
- c. *The minutes of the meetings of the Town Council will include all expenditures, including payroll, and will be reviewed and adopted generally within 2 weeks of the meeting.*
- d. *Accounting records will be posted within 1-2 working days of receiving payment. A report will be generated to show any exceptions made to the original billing cycle.*
- e. *Procedures will be adopted to improve accounting records and reports. The mayor will review on a regular basis.*

*The council will receive a monthly report, showing year to date revenues and expenses. They will be instructed how to read the reports, and the mayor will sign the monthly report that will be kept with the accounting for the year. Budget amendments will be made in a timely manner and appropriations will not exceed budgeted amounts.*

*The mayor, town clerk, and one council member were present during the exit conference. Many issues were clarified at that time. The mayor and staff are confident the problems associated with this audit will be reduced if not eliminated in the future, as there is increased awareness of certain rules and state laws.*

#### Auditor's Concluding Remarks

We appreciate the town's timely response to our audit findings. We will review these areas in our next regularly scheduled audit.